

OCT 27 2017

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION FCC Mail Room
WASHINGTON DC 20554

In the matter of

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Request for Waiver by

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Kings Canyon Unified School District
Reedley, CA

)
)

Schools and Libraries Universal Service
Support Mechanism

)
)

CC Docket No. 02-06

DOCKET FILE COPY ORIGINAL

REQUEST FOR REVIEW

Funding year 2011 (7/1/2011 to 6/30/2012)
Billed Entity Name: Kings Canyon Unified School District
Billed Entity No.: 144054
Form 471 Application No.: 779775
Funding Request Number: 2111610
FCC Registration Number: 0006743595

I. Introduction and Background.

Kings Canyon Unified School District ("KCUSD"), through its E-rate consultant, Infinity Communications and Consulting, Inc. ("Infinity") respectfully requests a review of the Administrator's Decision on Appeal – Funding Year 2011-2012, dated August 25, 2017. This request for review stems from an audit and subsequent Notice of Commitment Adjustment Letter ("NCAL"), issued by the Universal Service Administrative Company ("USAC") on May 9, 2016. The NCAL was appealed to USAC on July 5, 2016. USAC issued its Administrator's Decision denying the appeal on August 25, 2017. It is this Decision that we are asking to be reviewed.

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Audit Background

In early 2015 an audit was conducted by Williams Adley on disbursements made on behalf of KCUSD. The original audit report¹ concluded, in part: "...we examined the FCC Form 474 that had been submitted by a second Service Provider for FRN 2187796. We found that the Service Provider billed the Beneficiary and USAC for 12 months of service beginning in July 2011, which overlapped the service period of the incumbent Service Provider for a period of five months through November 2011. In this case, the contract of the incumbent Service Provider was terminated at the end of November 2011."

The incumbent Service Provider was Trillion (and those services were obtained under FRN 2111610).

The September draft audit report went on to state: "The new Service Provider, which had been awarded the contract by way of the competitive bidding process we tested, should have begun delivering services at the end of November 2011 when the incumbent Service Provider's contract ended."

After KCUSD and Sun Wireless responded to the draft audit report, Williams Adley issued a second draft audit report, dated October 23, 2015². That audit report made this finding: "we examined the FCC Form 472 that had been submitted by the Beneficiary for FRN 2111610. We found that the Beneficiary billed SLP for five months of service beginning in July 2011, which overlapped five months of the service period for the same services from Sun Wireless for which Sun Wireless submitted an FCC Form 474 and received reimbursement from SLP for the full funding year."³

¹ Copy attached.

² Copy attached.

³ This finding was included in the Final Audit Report (dated October 23, 2015, copy attached). This finding was the basis for the Commitment Adjustment which was issued, and which was appealed by the applicant on July 5, 2016.

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II. Discussion

We note that the auditors switched their finding (and the target FRN). We believe that this shows the auditors did not take into account the full circumstances surrounding these FRNs and thus they made an inaccurate conclusion as to what (if any) program violation requiring repayment occurred.

Trillion was the incumbent Service Provider. KCUSD went out with a competitive bid for WAN services for Funding Year 2011, because their existing contract was due to expire. As part of that competitive bid process, bidders were informed that there was an incumbent service provider and provision would have to be made to transfer services and cutover to a new network if the incumbent was not selected.

KCUSD chose Sun Wireless as the Apparently Successful Bidder and negotiated a contract with them for new WAN services. During negotiations with Sun Wireless, Sun Wireless assured the District that they would complete their installation prior to July 1, 2011. The Sun Wireless contract⁴ indicated that Sun Wireless would submit a Form 474 "as an annual billing after the District submits its appropriate documentation under the Erate program including a Form 486." When the Form 486⁵ was filed it indicated that the Service Start Date for FRN 2187796 was July 1, 2011. This was done so that Sun Wireless could begin the necessary transition work that was a precondition of being able to deliver the WAN services. The District agreed to an annual billing payment method because of Sun Wireless's assurance that the service would start on July 1, 2011.

In order to transition from one provider's equipment and network to another's there is necessarily a period of "cutover." This period allows for the build out of the new network, the placement of circuits in the designated locations and testing to ensure that

⁴ Copy attached.

⁵ Copy attached. Please note that Sun Microwave is the same entity as Sun Wireless.

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end-to-end transmissions are successful. Cutover does not occur in one day. It appears that the auditors do not have a complete understanding of WAN technology, industry standards and practices, and how such transitions need to occur in stages. Regardless of the Service Start Dates and the fact that both contracts were active during the same time period, these services were not duplicative, as that term is understood by the Federal Communications Commission, to mean those "that deliver the same functionality to the same population in the same location during the same time period." (Quoting from the Notification of Commitment Adjustment Letter⁶ dated May 9, 2016).

In this instant, both Trillion and Sun Wireless delivered *similar* services at the same time (to different locations, as the buildout to the Sun Wireless WAN progressed). Due to the fact that Sun Wireless sold its services for an annual fee for a total solution (rather than one broken down by month and/or location) it is difficult to apportion how much of the payment was for any specific location. Perhaps with the benefit of hindsight it can be said that KCUSD should not have agreed to the payment terms put forth by Sun Wireless, but they did, with the (perhaps incomplete agreement of the parties) that the total WAN solution was going to be installed over time and there would be a point (way after the July 1, 2011 starting date) when the cutover would be complete and Sun Wireless would have complete control over the network. It should be noted that when asked to complete a Service Certification Form⁷ in respect of the services for FRN 2187796, KCUSD indicated that the services *started* on October 1, 2011. Total cutover was not achieved until December 1, 2011. As stated previously, during contract negotiations, Sun Wireless assured the District that they would complete their installation prior to July 1, 2011. It was assumed by the District that, by showing an October 1, 2011 start date on the Service Certification Form, USAC would have only paid for those services delivered after October 1, 2011.

⁶ Copy attached.

⁷ Copy attached.

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The Notification of Commitment Adjustment Letter goes on to state that "The applicant billed USAC for duplicate services from Trillion after USAC had already disbursed funding for the same services from Sun Wireless for Telecomm Services for 100mbps circuits." This statement highlights the major shortcoming in the understanding of duplicate services. The limited description of "Telecom Services for 100mbps circuits" does not adequately address the details of where and when those circuits are placed, nor the nuance of "same functionality". As circuits are installed and tested they often do not carry the full load intended until acceptance testing has been completed, and therefore same functionality (in the delivery of 100mbps) is not achieved until cutover is complete.

KCUSD respectfully disagrees with the finding that "Since you received funding for services that meet the definition of "duplicate" under FCCs rules, the commitment has been rescinded in full and USAC will seek recovery of all disbursed funds from the applicant." We do not feel that accepting the Sun Wireless total *annual* bill as correct is the proper approach to determining when and how much of an improper payment (if any) was made. Again, based on Sun Wireless' proposal of a total solution there is no convenient way to parse the annual payment. The payment to Trillion, however, for services legitimately delivered and legitimately received, should not be fully recovered based on the actions of another Service Provider. If USAC still finds that there were duplicate services, we feel that based on the Service Certification Form, there were only two (2) months that were duplicated (October and November 2011) and the amount to be recovered should therefore be adjusted appropriately.

Furthermore, the District did not benefit, other than the two-month overlap, from increased bandwidth since Trillion provided services for the first six months of the funding year and Sun Wireless provided services for the last eight months of the funding year, so why should the District, and not Sun Wireless, be held responsible for the overlap in billing?

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Procedural Concerns

Finally, note that USAC provided no facts or explanation to support their denial of our original appeal. The Decision merely repeats the audit finding that "this funding commitment must be rescinded in full as you received duplicate services." We contend that this finding is flawed and not supported by the actual circumstances.

Additionally, we note that the original appeal was filed with USAC on July 5, 2016. The Decision was not issued until August 25, 2017, more than a full *year* later. We believe this delay contributed to uncertainty about the resolution of this issue, a factor that negatively impacted the relationship between the applicant and its service provider. It is especially frustrating for the applicant to have endured that delay and then have USAC provide no indication that it read or understood the applicant's initial appeal, let alone supplying a coherent explanation supportive of their decision.

III. Prayer for Relief

We respectfully request that the Commission do a *de novo* review of the instant case, including the documentation provided and determine whether the circumstances surrounding the changes in audit findings from the original audit to the final audit are indeed correct, as well as determine whether the finding of "duplicate services" is supported by the facts. Should additional documentation be required, we would be happy to supply it.

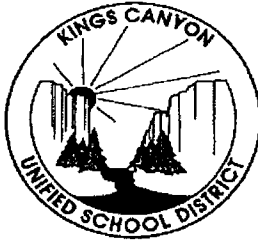
Respectfully submitted,



Martin Skiby, General Manager
Infinity Communications and Consulting, Inc.

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Kings Canyon Unified School District

1502 I Street (mailing address)
Reedley Ca 93654
559-305-7010

November 4th, 2016

To: Erate/CTF Service Providers ("Service Providers")
Schools and Libraries Division ("Erate")
California Public Utilities Commission and the California
Teleconnect Fund ("CTF")

Re: Letter of Agency with Special Power of Attorney

Dear Sirs or Madam:

On this date, the herein referenced Kings Canyon Unified School District ("School") has authorized Infinity Communications and Consulting, Inc. ("Infinity") to act as School's representative for all matters associated with School's telecom, long distance, cell phones, internet service provider ("ISP"), and internal connections services (collectively "Telecom Services"). School specifically authorize Infinity staff to obtain any and all account information or any other documentation Infinity deems necessary for purposes pertaining to the School's Erate and CTF programs and/or other technology related projects of the School, including those involving record keeping, reimbursement, and services supplied by the Service Providers, Vendors, and Contractors to the School.

School also authorizes Infinity to represent School in all matters regarding Erate and CTF when these organizations need information from the School and/or when the School needs to communicate to these organizations.

Further, School appoints Infinity as School's attorney-in-fact to act in School's place for the purposes of:

- (A) receiving information from the vendors, Service Providers, Erate, CTF, and ISP on behalf of the School regarding Telecom Services and internal connections projects;
- (B) negotiating for services from vendors, Service Providers,

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Erate, CTF, and ISP on behalf of the School regarding
Telecom Services and internal connections projects; and

- (C) executing vendor, Service Providers, Erate, CTF and ISP
form(s) and contract(s) on behalf of the School regarding
Telecom Services and internal connections projects.

This Letter of Agency with Special Power of Attorney shall remain in effect until **June 30, 2020** or written notice of cancellation from the School, whichever comes first. The School shall have a right to terminate Infinity upon thirty (30) days written notice.

Infinity, as the agent and the attorney-in-fact (special power of attorney), shall consult with the School and seek its approval on all material decisions and negotiations. Infinity shall preserve the confidentiality of any information provided by the School as required by law.

If you have any questions regarding the above authorization, please feel free to contact me at garza-j@kcusd.com or 559-305-7001.

Thank you.



Juan Garza
Superintendent
Kings Canyon Unified School District

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To: Wayne Scott, Vice President Internal Audit Division
Universal Service Administrative Company

From: Williams Adley

Date: September 28, 2015

Re: Independent Auditor's Report on Kings Canyon Unified School District
Compliance with Schools and Libraries Support Mechanism Rules (USAC Audit
No. SL2015BE018)

Introduction

Williams Adley hereby submits this report of the performance audit conducted on Kings Canyon Unified School District (Beneficiary), Billed Entity Number (BEN) 144054, for compliance with the regulations and orders governing the Schools and Libraries Support Mechanism, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, "the Rules"). This audit was performed in accordance with our contract with Universal Service Administrative Company (USAC). Compliance with the Rules is the responsibility of the Beneficiary. Williams Adley's responsibility is to express a conclusion on the Beneficiary's compliance with the Rules based on our audit.

The Beneficiary is a local school district located in Reedley, California that serves over 9,200 students.

Purpose and Scope

The purpose of our audit was to determine whether the Beneficiary complied with the Rules. We conducted this performance audit in accordance with Government Auditing Standards (GAS) issued by the Comptroller General of the United States (2011 Revision).¹ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives.² Our audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select a service provider, data used to calculate the discount percentage and the type and amount of services received, as well as performing other procedures we considered necessary to

¹ See Government Accountability Office, "Government Auditing Standards: December 2011 Revision," GAO-12-331G, § 6.56 (December 2011).

² See *id.* § 6.56.

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form a conclusion. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Service Type	Amount Committed	Amount Disbursed
FRN 2110275: Telecommunications	\$96,971.36	\$74,951.13
FRN 2111610: Telecommunications	\$290,549.28	\$123,155.36
FRN 2187796: Telecommunications	\$618,931.40	\$618,931.40
FRN 2110276: Telecommunications	\$1,194.44	\$1,194.44
FRN 2110277: Telecommunications	\$60,591.09	\$38,641.74
FRN 2110280: Telecommunications	\$24,814.13	\$16,512.08
FRN 2110281: Telecommunications	\$22,160.65	\$22,160.65
FRN 2110282: Telecommunications	\$21,545.48	\$20,762.53
FRN 2110284: Telecommunications	\$90,946.24	\$34,929.04
FRN 2110285: Internet Access	\$618.68	\$618.68
FRN 2110287: Internet Access	\$11,932.50	\$11,932.50
FRN 2187804: Internet Access	\$40,093.20	\$40,093.20
Total	\$1,280,348.45	\$1,003,882.75

Note: The amounts committed and disbursed reflect funding year activity as of the commencement of the audit.

The committed total represents three FCC Form 471 applications with twelve Funding Request Numbers (FRNs). The FRNs selected as part of our sample are FRNs 2110275, 2111610 and 2187796. We selected three invoices from within the sampled FRNs, which represented \$817,037.89 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to Funding Year 2011 applications submitted by the Beneficiary.

We performed procedures to determine whether the Beneficiary complied with the Rules. For the purposes of this report, a finding is a condition that shows evidence of noncompliance with the Rules. An "other matter" is a condition that does not necessarily constitute a rule violation but warrants the Beneficiary and USAC management's attention.

Conclusion

Based upon the test work performed, Williams Adley noted that the Beneficiary and Service Provider did not comply with the Rule as set forth in the two audit findings discussed below. A summary of the results and procedures are included below.

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Findings

- Service Provider Billed for Services Not Provided
- Beneficiary Did Not Timely Pay Entire Share of Non-Discounted Portion

Other Matters

- No Other Matters to Report

Exceptions Taken and Recovery Action

Findings	Monetary Effect of Finding	USAC Management Recovery Action
#1 - Service Provider Billed for Services Not Provided	\$240,867.25	\$240,867.25
#2 - Beneficiary Did Not Timely Pay Entire Share of Non-Discounted Portion	\$2,093.16	\$2,093.16
Total Net Monetary Effect	\$242,960.41	\$242,960.41

Note: The monetary effect and the recovery amounts noted above do not include exceptions that overlap. The maximum recommended recovery is \$242,960.41 of the \$817,037.89 disbursed to the Beneficiary on the three FRNs we reviewed.

Audit Procedures, Findings, and Responses**A. Application Process**

We obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program. Specifically, we examined documentation to support the Beneficiary's effective use of funding and to verify that adequate controls were in place to determine whether funds were used in accordance with the Rules. We used inquiry and direct observation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which funding was requested. We also used inquiry to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

We obtained and examined documentation to determine whether the Beneficiary complied with the Schools and Libraries Program Children's Internet Protection Act (CIPA) requirements. Specifically, we obtained and evaluated the Beneficiary's Internet Safety Policy. We obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

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B. Competitive Bid Process

We used inquiry and inspection of the documentation provided by USAC and the Beneficiary to determine that 5 bids were received by the Beneficiary for the Wide Area Network (WAN) telecommunication services sought through FRN 2187796. Through further inquiry we determined that the Beneficiary sought the approval of the School District's Board of Trustees to enter into a contract with a new Service Provider during the funding year given that the existing contract with the incumbent Service Provider was due to expire. We also obtained and examined evidence that the Beneficiary waited the required 28 calendar days from the date the FCC Form 470 was posted on USAC's website before seeking Board of Trustee approval and executing the month-to-month agreement with the Service Provider that was awarded the contract. Further we used inquiry and inspection of documentation to determine that the services were purchased for cost-effectiveness as well. In conjunction with the distribution of the aforementioned WAN services, we observed the infrastructure at the district service center and 5 of the member entities (schools) within the purview of the Beneficiary.

C. Invoicing Process

We obtained and examined invoices for which payment was disbursed by USAC to determine if the one service claimed on the FCC Form 472, Billed Entity Applicant Reimbursements (BEARs), and the two services claimed on the FCC Form 474, Service Provider Invoices (SPIs), and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements.

We examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner in accordance with the Rules. We observed that the Beneficiary did not fully pay its non-discounted portion within the 90 calendar day period established within the Rules. Although we were able to obtain sufficient evidence to generally support the School District's representations that a portion of the non-discounted amount was paid, there remained an outstanding balance that had not been paid. This outstanding balance contributed to the monetary recovery action we reported.

In addition to the aforementioned, we examined the FCC Form 474 that had been submitted by a second Service Provider for FRN 2187796. We found that the Service Provider billed the Beneficiary and USAC for 12 months of service beginning in July 2011, which overlapped the service period of the incumbent Service Provider for a period of five months through November 2011. In this case, the contract of the incumbent Service Provider was terminated at the end of November 2011. The new Service Provider, which had been awarded the contract by way of the competitive bidding process we tested, should have begun delivering services at the end of November 2011 when the incumbent Service Provider's contract ended. As such, we determined that the new Service Provider billed USAC for services that could not be delivered at the same time as the incumbent Service Provider, which contributed to

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the monetary recovery action we reported.

D. Site Visits

We used inquiry and observation during the site visits to five member entities (schools) within the Beneficiary's school district to determine whether services were located in eligible facilities and used in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the services for which funding was requested. We also evaluated the services purchased by the Beneficiary to determine whether Schools and Libraries Funding was used in an effective manner.

E. Reimbursement Process

We obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed invoices associated with the BEAR forms for services provided to the Beneficiary. We verified that the services claimed on the BEAR forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements and eligible in accordance with the Schools and Libraries Program Eligible Services List.

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Finding #1

Service Provider Billed for Services Not Provided

Condition

We examined the Service Provider contract and invoices to verify that the Service Provider billed for eligible supported services and for services provided by Sun Wireless (a.k.a., Sun Microwave Inc.) for FRN 2187796. Since Sun Wireless was awarded the contract for services during Funding Year 2011, Sun Wireless was only supposed to bill for the services rendered after the previous Service Provider, Trillion, stopped performing the service for the Beneficiary as of November 30, 2011. However, Sun Wireless billed the School and Libraries Program for an entire year of service rather than the seven-month period for which services were provided. (Criteria 1, 2 and 3)

Sun Wireless invoiced the Schools and Libraries Program on Service Provider Invoice (SPI) Form 474 for a discounted portion of \$618,931.40 (pre-discounted total of \$719,687.68), and the Schools and Libraries Program disbursed the full discounted portion of the invoiced amount for the period of July 1, 2011 through June 30, 2012. This amount includes the 5 months during which no service was provided to the Beneficiary.

We recalculated the discounts applied to the service based on the invoices received from the Beneficiary and prorated costs over the seven-month period from December 2011 through June 2012. The total discounted amount at the 86% discount rate based on the invoices totaled \$378,064.15. We subtracted the discounted amount per the recalculation on the invoices we received from the Form 474 discounted amount (\$618,931.40) to arrive at an amount of \$240,867.25 that was billed for services that were not provided. Below is the table that shows the total amount that was billed for services that were not provided:

(A) Undiscounted Invoice Amount (\$719,687.68) less one-time fee of \$47,500	(B) Discount Rate	(C) Discounted Invoice Amount (7 months), plus one-time fee $(A \times B \times 7/12) +$ $(\$47,500 \times 86\%)$	(D) Form 474 Discounted Amount	(E) Billed Services Not Provided (D - C)
\$672,187.68	86%	\$ 378,064.15	\$618,931.40	\$ 240,867.25

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Cause

The Service Provider overbilled the Schools and Libraries Program on the SPI because it used an incorrect contract service period and an incorrect service amount. These errors reflect an internal control weakness in the Service Provider's and Beneficiary's quality control processes, which should be designed and executed to ensure the accuracy and documented support for the period and amount billed, which is certified as correct.

Effect

Based on the documentation examined, the Service Provider overbilled the Schools and Libraries Program in the amount of \$240,867.25 when the Service Provider submitted its FCC Form 474.

Recommendation

The Beneficiary should implement controls and procedures to ensure that the Service Provider:

- (1) Invoices the Schools and Libraries Program only for the discounted costs of eligible services on the SPI forms submitted to the Schools and Libraries Program for reimbursement; and
- (2) Bills the Beneficiary only for the non-discounted portion of services provided by the Service Provider.

Further, we recommend that the Service Provider reimburse the Schools and Libraries Program the amount of \$240,867.25, which represents the amount overbilled to USAC.

Beneficiary Response

KCUSD Response: It does appear that the Service Provider did in fact over invoice both USAC and the District for this FRN and, because this happened about four years ago, we can't construct exactly why this happened and/or why we did not catch this Service Provider error. Per Sun Wireless's response below, they believed they had valid reasons for both conditions and state their contract supported the billing. Since the Service Provider used the SPI method and the District never saw the invoice between Sun Wireless and USAC, the District had no opportunity to even know this condition existed. As evidenced by the Service Certification form the District signed, Sun Wireless started their service and billed for services starting October 1, 2011. To clarify, these Sun Wireless services were not installed and/or turned over to the District until October 1, 2011.

The District will take additional precautions in the future to ensure this doesn't happen again going forward on any future Erate projects.

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Service Provider Response

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Sun Wireless Response: Under the E-Rate Services Agreement with the District, Sun was contracted to connect eighteen locations together forming a Telecommunications Area Wide Network. Because there was another vendor already in place' providing unacceptable service and being discontinued, the implementation had to be done expeditiously. Sun could not just say a few magic words and the project was completed. Each school had to be individually installed, test, paralleled and cut over. The existing vendor could then be discontinued. We followed this approach seventeen times over the course of several months.

Because of the major expenditure in manpower and equipment plus the overall complexity of the endeavor, Sun prepared a contract whereby we were paid annually rather than any other schedule. It would have been impractical to bill on a school by school basis; even if we had followed this procedure, USAC was not prepared to handle this complex of a billing scenario. The District and USAC agreed to that approach. The District accepted our invoice for its annual portion in September and signed a Service Certification for SLD Invoices on September 23, 2011. USAC was also billed in September and paid the annual amount sometime thereafter.

Sun performed the services for which we were contracted. We had no control over payments made to the exiting vendor. Giving them any money was a decision made by someone else.

Auditor Response

"Insert Auditor Response Here"

USAC Management Response

"Insert USAC Management Response Here"

Criteria

1. "The FCC Form 474, Service Provider Invoice Form, is to be completed and submitted by a service provider that has provided discounted eligible services to eligible schools and libraries, in order to seek universal service support in the amount of the discounts. The service provider must have provided the service and given a discounted bill to the applicant prior to submitting the FCC Form 474" (OMB 3060-0856) at Part I (FCC Form 474 Instructions).
2. "The service provider that has provided discounted eligible services and discounted bills to eligible schools, school districts, libraries, library consortia and consortia of multiple entities, pursuant to a Funding Commitment Decision Letter (FCDL) issued by the Schools and Libraries Division (SLD)

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of the Universal Service Administrative Company (USAC), must file this FCC Form 474 to seek reimbursement for the cost of the discounts. The service provider must be the entity whose Service Provider Identification Number (SPIN) is associated with a service or group of services in a Funding Request Number (FRN) approved by USAC. An FRN is a service or group of services for which funding was requested in a distinct Block 5 of the applicant's FCC Form 471, Services Ordered and Certification Form. USAC will issue an FCDL to each applicant who submitted the FCC Form 471 and to each service provider whose SPIN is identified on an FCC Form 471 as the provider of the services for which discounts have been requested. The FCDL will identify the amount of discounts that FCC Form 474 Instructions have been approved for each FRN and the SPIN for the service provider that is authorized to provide the discounted services." FCC Form Instruction Part II (OMB 3060-0856)

3. Ineligible Services include duplicative services as provided for at usac.gov under ESL 2011 in the ineligible service list. This corresponds to FCC 07-64, 22 FCC RCD 8771 (2007) that states "duplicative services, described as services that provide the same functionality for the same population in the same location during the same period of time, will be rejected".

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Finding #2

Beneficiary Did Not Timely Pay Entire Share of Non-Discounted Portion

Condition

Williams Adley requested the Service Provider invoices and check payments to determine whether the Beneficiary paid its non-discounted share of services purchased with Schools and Libraries Program funds. The Beneficiary was able to provide documentation to support that it paid a portion of its non-discounted share to the Service Provider within 90 days after the delivery of service, as required by the Rules. For the Telecommunication Services FRN 2111610, the Service Provider billed the Beneficiary for services on December 2, 2011 in the amount of \$143,203.91. The Beneficiary paid a portion of the bill totaling \$140,770.00 on December 8, 2011. We determined that the Beneficiary did not pay the Service Provider the remaining balance of \$2,433.91. (Criteria 1 and 2).

Cause

The Beneficiary has inadequate internal control processes to ensure that all amounts owed to the Service Provider, which are billed to and paid by USAC, are reconciled and paid timely to the Service Provider (e.g., within 90 business days after receipt of invoice), as required by the Rules.

Effect

There is a monetary effect related to this finding since the Beneficiary did not pay its entire non-discounted portion, of which \$2,433.91 is still outstanding. We calculated questioned costs in the amount of \$2,093.16 that was reimbursed by USAC, which is 86% of the non-discounted amount based on the approved discount rate.

Recommendation

Williams Adley recommends that the Beneficiary implement controls and procedures to ensure that it pays its entire non-discounted share within a reasonable timeframe (e.g., within 90 days after delivery of service), as required by the Rules.

Further, we recommend the recovery of \$2,093.16 for the questioned costs we calculated that USAC paid to the Beneficiary per FRN 2111610, if the Beneficiary cannot verify payment of that amount to the Service Provider.

Beneficiary Response

KCUSD Response: We don't contest this condition but do suggest a separate outcome.

Clearly a mistake was made when we paid this invoice. But, we can see how the error occurred. If you look at the top of the Trillion (Affiniti) invoice, the amount shown is \$140,770.00.

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Unfortunately, if you look at the bottom of this same invoice, an additional \$2,433.91 in taxes was added increasing the total invoice amount to \$143,203.91. Unfortunately, the A/P clerk paid off of the top of the invoice, not the bottom.

We don't find any evidence that this type of issue was happened paying other Erate or non-Erate invoices and can't find any other instances of similar problems. We will bring this issue to the attention of our Business Office manager in hopes of making sure this does not happen again.

Instead of paying a penalty to USAC, we believe a more proper action would be for the District to pay the additional \$2,433.91 to Affinity (Trillion) which we could do immediately.

Auditor Response

"Insert Auditor Response Here"

USAC Management Response

"Insert USAC Management Response Here"

Criteria

1. "An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts." 47 C.F.R. § 54.523 (2009).
2. "We conclude that all funds disbursed should be recovered for any funding requests in which the beneficiary failed to pay its non-discounted share. While our [FCC] rules do not set forth a specific timeframe for determining when a beneficiary has failed to pay its non-discounted share, we conclude that a reasonable timeframe is 90 days after delivery of service. Allowing schools and libraries to delay for an extended time their payment for services would subvert the intent of our rule that the beneficiary must pay, at a minimum, ten percent of the cost of supported services... Accordingly, we clarify prospectively that a failure to pay more than 90 days after completion of service (which is roughly equivalent to three monthly billing cycles) presumptively violates our rule that the beneficiary must pay its share. For purposes of resolving any outstanding issues relating to audits conducted prior to the issuance of this clarification, we direct USAC to determine whether full payment had been made as of the time the audit report was finalized. If any amounts remained outstanding at the conclusion of the audit work, that constitutes a rule violation warranting recovery of all amounts disbursed. Information on payment of the non-discounted share shall be sought from the beneficiary." In the Matter of Schools and Libraries Universal Service Support Mechanism, Fifth Report and Order, CC Docket No. 02-6, FCC 04-190, 19 FCC Rcd 15808, 15816, ¶ 24 (2004) (Fifth Report and Order).

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This concludes the results of our audit. Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

San Juan County

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FOOD Hall Room

Attachment 2



October 23, 2015

Jerry Edmonds
Technology Coor
Kings Canyon Ur
1500 I Street
Reedley, CA 9361

CURRENT

Dear Mr. Edmonds:

We are submitting the DRAFT Schools and Libraries Audit Report for your review and comment. We recently finished the fieldwork phase of the audit, which was conducted in accordance with Government Auditing Standards (GAS) issued by the Comptroller General of the United States (2011 Revision).

We are requesting that Kings Canyon Unified School District provide written comments to the report within 10 business days of the receipt of this DRAFT report. If you have any questions, please contact Cordell Olive, Principal, or Shabbir Moosvi, Manager, at (202) 371-1397.

Sincerely,

Jocelyn Hill, CPA
Partner
Williams, Adley & Company-DC, LLP

Enclosure: Kings Canyon Unified School District, Schools and Libraries Audit Report

To: Wayne Scott, Vice President Internal Audit Division
Universal Service Administrative Company

From: Williams Adley

Date: October 23, 2015

Re: Independent Auditors' Report on Kings Canyon Unified School District
Compliance with Schools and Libraries Support Mechanism Rules (USAC Audit
No. SL2015BE018)

Introduction

Williams Adley hereby submits this report of the performance audit conducted on Kings Canyon Unified School District ("Beneficiary"), Billed Entity Number (BEN) 144054, for compliance with the regulations and orders governing the Federal Universal Service Schools and Libraries Support Mechanism, set forth in 47 C.F.R. Part 54, as well as other program requirements (collectively, "the Rules"). This audit was performed in accordance with our contract with Universal Service Administrative Company (USAC). Compliance with the Rules is the responsibility of the Beneficiary. Williams Adley's responsibility is to express a conclusion on the Beneficiary's compliance with the Rules based on our audit.

The Beneficiary is a local school district located in Reedley, California that serves over 9,200 students.

Purpose and Scope

The purpose of our audit was to determine whether the Beneficiary complied with the Rules. We conducted this performance audit in accordance with Government Auditing Standards (GAS) issued by the Comptroller General of the United States (2011 Revision).¹ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives.² Our audit included examining, on a test basis, evidence supporting the competitive bidding process undertaken to select a service provider, data used to calculate the discount percentage and the type and amount of services received, as well as performing other procedures we considered necessary to

¹ See Government Accountability Office, "Government Auditing Standards: December 2011 Revision," GAO-12-331G, § 6.56 (December 2011).

² See *id.* § 6.56.

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September 28, 2015

Jerry Edmonds
Technology Coordinator
Kings Canyon Unified School District
1500 I Street
Reedley, CA 93654

Dear Mr. Edmonds:

We are submitting the DRAFT Schools and Libraries Audit Report for your review and comment. We recently finished the fieldwork phase of the audit, which was conducted in accordance with Government Auditing Standards (GAS) issued by the Comptroller General of the United States (2011 Revision).

We are requesting that Kings Canyon Unified School District provide written comments to the report within 10 business days of the receipt of this DRAFT report. If you have any questions, please contact Cordell Olive, Principal, or Shabbir Moosvi, Manager, at (202) 371-1397.

Sincerely,

Jocelyn Hill, CPA
Partner
Williams, Adley & Company-DC, LLP

Enclosure: Kings Canyon Unified School District, Schools and Libraries Audit Report

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Attachment 1

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form a conclusion. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Service Type	Amount Committed	Amount Disbursed
FRN 2110275: Telecommunications	\$96,971.36	\$90,015.27
FRN 2111610: Telecommunications	\$290,549.28	\$123,155.36
FRN 2187796: Telecommunications	\$618,931.40	\$618,931.40
FRN 2110276: Telecommunications	\$1,194.44	\$1,194.44
FRN 2110277: Telecommunications	\$60,591.09	\$38,641.74
FRN 2110280: Telecommunications	\$24,814.13	\$16,512.08
FRN 2110281: Telecommunications	\$22,160.65	\$22,160.65
FRN 2110282: Telecommunications	\$21,545.48	\$20,762.53
FRN 2110284: Telecommunications	\$90,946.24	\$34,929.04
FRN 2110285: Internet Access	\$618.68	\$618.68
FRN 2110287: Internet Access	\$11,932.50	\$11,932.50
FRN 2187804: Internet Access	\$40,093.20	\$40,093.20
Total	\$1,280,348.45	\$1,018,946.89

Note: The amounts committed and disbursed reflect funding year activity as of the commencement of the audit.

The committed total represents three FCC Form 471 applications with twelve Funding Request Numbers (FRNs). The FRNs selected as part of our sample are FRNs 2110275, 2111610 and 2187796. We selected three invoices from within the sampled FRNs which represented \$832,102.03 of the funds disbursed during the audit period, to perform the procedures enumerated below with respect to Funding Year 2011 applications submitted by the Beneficiary.

We performed procedures to determine whether the Beneficiary complied with the Rules. For the purposes of this report, a finding is a condition that shows evidence of noncompliance with the Rules. An "other matter" is a condition that does not necessarily constitute a rule violation but warrants the Beneficiary and USAC management's attention.

Conclusion

Based upon the test work performed, Williams Adley noted that the Beneficiary and Service Provider did not comply with the Rule as set forth in the two audit findings discussed below. A summary of the results and procedures are included below.

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Findings

- Beneficiary Invoiced SLP for Duplicative Services
- Beneficiary Invoiced SLP for Non-Discounted Amount Not Paid to Its Service Provider

Other Matters

- No Other Matters to Report

Exceptions Taken and Recovery Action

Findings	Monetary Effect of Finding	USAC Recovery Action
#1 – Beneficiary Invoiced SLP for Duplicative Services	\$123,155.36	\$123,155.36
#2 - Beneficiary Invoiced SLP for Non-Discounted Amount Not Paid to Its Service Provider	\$2,093.16	\$2,093.16
Total Net Monetary Effect	\$125,248.52	\$125,248.52

Note: The monetary effect and the recovery amounts noted above do not include exceptions that overlap. The maximum recommended recovery is \$125,248.52 of the \$817,037.89 disbursed to the Beneficiary on the three FRNs we reviewed.

Audit Procedures, Findings, and Responses

A. Application Process

We obtained an understanding of the Beneficiary's processes relating to the Schools and Libraries Program. Specifically, we examined documentation to support the Beneficiary's effective use of funding and to verify that adequate controls were in place to determine whether funds were used in accordance with the Rules. We used inquiry and direct observation to determine whether the Beneficiary was eligible to receive funds and had the necessary resources to support the services for which funding was requested. We also used inquiry to obtain an understanding of the process the Beneficiary used to calculate its discount percentage and validated its accuracy.

We obtained and examined documentation to determine whether the Beneficiary complied with the Schools and Libraries Program Children's Internet Protection Act (CIPA) requirements. Specifically, we obtained and evaluated the Beneficiary's

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Internet Safety Policy. We obtained an understanding of the process by which the Beneficiary communicated and administered the policy.

B. Competitive Bid Process

We used inquiry and inspection of the documentation provided by USAC and the Beneficiary to determine that 5 bids were received by the Beneficiary for the Wide Area Network (WAN) telecommunications services sought through FRN 2187796. Through further inquiry we determined that the Beneficiary sought the approval of the School District's Board of Trustees to enter into a contract with a new Service Provider during the funding year given that the existing contract with the incumbent Service Provider was due to expire. We also obtained and examined evidence that the Beneficiary waited the required 28 calendar days from the date the FCC Form 470 was posted on USAC's website before seeking Board of Trustee approval and executing the month-to-month agreement with the Service Provider that was awarded the contract. Further we used inquiry and inspection of documentation to determine if the services were purchased for cost-effectiveness as well. In conjunction with the distribution of the aforementioned WAN services, we observed the infrastructure at the district service center and 5 of the member entities (schools) within the purview of the Beneficiary.

C. Invoicing Process

We obtained and examined invoices for which payment was disbursed by USAC to determine if the one service claimed on the FCC Form 472, Billed Entity Applicant Reimbursement (BEAR), and the two services claimed on the FCC Form 474, Service Provider Invoice (SPI), and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements.

We examined documentation to determine whether the Beneficiary paid its non-discounted share in a timely manner in accordance with the Rules. We observed that the Beneficiary invoiced the Schools and Libraries Program (SLP) for amounts that the Beneficiary did not pay to its service provider. This outstanding balance contributed to the monetary recovery action we reported.

In addition to the aforementioned, we examined the FCC Form 472 that had been submitted by the Beneficiary for FRN 2111610. We found that the Beneficiary billed SLP for five months of service beginning in July 2011, which overlapped five months of the service period for the same services from Sun Wireless for which Sun Wireless submitted an FCC Form 474 and received reimbursement from SLP for the full funding year. As such, we determined that the Beneficiary billed USAC for duplicative services from Trillion after USAC had already disbursed funding for the same services provided by Sun Wireless for the full funding period.

D. Site Visits

We used inquiry and observation during the site visits to five member entities (schools) within the Beneficiary's school district to determine whether services were

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located in eligible facilities and used in accordance with the Rules. We evaluated whether the Beneficiary had the necessary resources to support the services for which SLP funding was requested. We also evaluated the services purchased by the Beneficiary to determine whether SLP funding was used in an effective manner.

E. Reimbursement Process

We obtained and examined invoices submitted for reimbursement for the services delivered to the Beneficiary and performed procedures to determine whether USAC was invoiced properly. Specifically, we reviewed invoices associated with the BEAR forms for services provided to the Beneficiary. We verified that the services claimed on the BEAR forms and corresponding Service Provider bills were consistent with the terms and specifications of the Service Provider agreements and eligible in accordance with the Schools and Libraries Program Eligible Services List.

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Finding #1**Beneficiary Invoiced SLP for Duplicative Services**

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Condition

We examined the Service Provider contract and invoices to verify that the Service Provider, Sun Wireless (a/k/a Sun Microwave Inc.) billed the Schools and Libraries Program (SLP) for eligible supported services provided for FRN 2187796. For Funding Year 2011, the Beneficiary had separate contracts for managed wireless WAN service from Sun Wireless and Trillion Partners, Inc. (Trillion). Since Sun Wireless was awarded the contract for services during Funding Year 2011, Sun Wireless was only supposed to bill for the services rendered after the previous Service Provider, Trillion, stopped performing the service for the Beneficiary as of November 30, 2011. Sun Wireless billed the SLP for an entire year of service. (Criteria 1, 2 and 3.)

Sun Wireless invoiced the SLP by submitting an FCC Form 474 (Service Provider Invoice (SPI)) No. 1543859 for a discounted portion of \$618,931.40 (pre-discounted total of \$719,687.68), and SLP disbursed the full invoiced amount for the period of July 1, 2011 through June 30, 2012. Subsequently, the Beneficiary invoiced SLP for WAN services provided by Trillion for FRN 2111610 for the period July 1, 2011 through November 30, 2011, which overlaps with the period when Sun Wireless was also providing these services to the Beneficiary. SLP disbursed \$123,155.36 based on the information provided on the Beneficiary's FCC Form 472 (Billed Entity Applicant Reimbursement (BEAR) Form) No. 1856988.

Below is the table that shows the total amount that USAC was billed for services from Trillion that overlap with the period when Sun Wireless was providing the same services to the Beneficiary:

(A) Undiscounted Invoice Amount	(B) Discount Rate	(C) Discounted Invoice Amount (A x B)	(D) Form 472 Discounted Amount	(E) Amounts Disbursed for Overlapping Services from Trillion (D - C)
\$143,203.91	86%	\$ 123,155.36	\$123,155.36	\$ 123,155.36

Cause

The Beneficiary overbilled the SLP by submitting the BEAR Form No. 1856988, to request reimbursement for the services provided by Trillion for the same period during which Sun Wireless was also providing the services to the Beneficiary and

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had received reimbursement from SLP through SPI Form No. 1543859. These errors reflect an internal control weakness in the Service Provider's and Beneficiary's quality control processes, which should be designed and executed to ensure the accuracy and documented support for the period and amount billed, which is certified as correct.

Effect

Based on the documentation examined, the Beneficiary overbilled the SLP in the amount of \$123,155.36 through the BEAR Form.

Recommendation

The Beneficiary should implement controls and procedures to ensure that :
The Beneficiary invoices the SLP only for the discounted costs of eligible services on the BEAR forms submitted to the SLP for reimbursement. Further, we recommend that the SLP be reimbursed the amount of \$123,155.36 which represents the amount overbilled to USAC.

Beneficiary Response

It does appear that the Service Provider did in fact over invoice both USAC and the District for this FRN and, because this happened about four years ago, we can't construct exactly why this happened and/or why we did not catch this Service Provider error. Per Sun Wireless's response below, they believed they had valid reasons for both conditions and state their contract supported the billing. Since the Service Provider used the SPI method and the District never saw the invoice between Sun Wireless and USAC, the District had no opportunity to even know this condition existed. As evidenced by the Service Certification form the District signed, Sun Wireless started their service and billed for services starting October 1, 2011. To clarify, these Sun Wireless services were not installed and/or turned over to the District until October 1, 2011.

The District will take additional precautions in the future to ensure this doesn't happen again going forward on any future e-Rate projects.

Service Provider Response

Sun Wireless Response: Under the e-Rate Services Agreement with the District, Sun was contracted to connect eighteen locations together forming a Telecommunications Area Wide Network. Because there was another vendor already in place' providing unacceptable service and being discontinued, the implementation had to be done expeditiously. Sun could not just say a few magic words and the project was completed. Each school had to be individually installed, tested, paralleled and cut over. The existing vendor could then be discontinued. We followed this approach seventeen times over the course of several months.

Because of the major expenditure in manpower and equipment plus the overall complexity of the endeavor, Sun prepared a contract whereby we were paid

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annually rather than any other schedule. It would have been impractical to bill on a school by school basis; even if we had followed this procedure, USAC was not prepared to handle this complex of a billing scenario. The District and USAC agreed to that approach. The District accepted our invoice for its annual portion in September and signed a Service Certification for SLD Invoices on September 23, 2011. USAC was also billed in September and paid the annual amount sometime thereafter.

Sun performed the services for which we were contracted. We had no control over payments made to the exiting vendor. Giving them any money was a decision made by someone else.

Auditor Response

We reviewed the contract with Service Provider, Sun Wireless, Funding Commitment Decision Letter, Form 471 and Form 474 and determined that the managed wireless WAN services from Sun Wireless were approved for Funding Year 2011 starting July 1, 2011. On the Service Certification form, box for "Date Goods/Services Delivered or will be Delivered" submitted to USAC and signed by the Beneficiary, we noted the service delivered date is 10/1/2011. We also reviewed the signed Service Certification form submitted to USAC for the other Service Provider, Trillion, which included a service delivered date of 7/1/2011. Trillion billed the Beneficiary for services for July 2011 through November 2011 and received the payment for the services provided for those months. The Beneficiary invoiced USAC for the discounted costs for the services Trillion provided. However, Sun Wireless previously invoiced USAC and received disbursements for providing the same services to the Beneficiary for the full funding year. Per the FCC's *Macomb Order*, (FCC 07-64) duplicative services are ineligible for E-rate support.³ Duplicative services are also prohibited as explained in the FY 2011 Eligible Services List.

We maintain our finding as it is in accordance with the referenced FCC Rules.

USAC Management Response

Kings Canyon completed two separate FCC Forms 471 and signed contracts with Trillion (FCC Form 471 Application No. 779775) and Sun Wireless (FCC Form 471 Application No. 806575) for delivery of the same services to the same entities for Funding Year 2011. In addition, Kings Canyon completed FCC Forms 486 for Trillion (FRN 2111610) and Sun Wireless (FRN 2187796), both reflecting a service start date of July 1, 2011 and service ending date of June 30, 2012.

Sun Wireless provided wireless WAN services and submitted a SPI Form for service covering the entire funding year. Trillion provided the same wireless WAN

³ *In the Matter of Requests for Review By Macomb Intermediate School District Technology Consortium*, CC Docket No. 02-6, Order, FCC 07-64, 22 FCC Rcd 8771, 8772, ¶ 3 (2007) (*Macomb Order*).

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services to Kings Canyon for the period of July 1, 2011 through November 30, 2011. Kings Canyon received duplicative services from July 1, 2011 through November 30, 2011.

Sun Wireless invoiced the SLP and was paid for the services delivered for all of FY 2011. Kings Canyon signed and approved the Sun Wireless service certification. On June 26, 2013, Kings Canyon completed a BEAR Form requesting reimbursement and was paid for managed wireless WAN services provided by Trillon for the period of July 1, 2011 through November 30, 2011 which is a duplication of the services provided by Sun Wireless for which USAC already disbursed funding.

USAC has determined that Kings Canyon received duplicative services. USAC agrees with the finding and will seek recovery from Kings Canyon consistent with FCC Rules and Orders.⁴

Criteria

1. "The FCC Form 472, Billed Entity Applicant Reimbursement (BEAR) Form is used by the Billed Entity that received a Funding Commitment Decision Letter (FCDL) from the fund administrator, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC), and filed an FCC Form 486, Receipt of Service Confirmation Form, indicating that the Billed Entity intended to submit to USAC an invoice for reimbursement of discounts on eligible services received on or after the effective date of discounts and already paid for by the applicant." Instructions for Completing the Universal Service for Schools and Libraries Billed Entity Applicant Reimbursement (BEAR) Form, OMB 3060-0856 (Nov. 2007), at 1 (*FCC Form 472 Instructions*).
2. **Column (14) - Total (Undiscounted) Amount for Service per FRN.** The total undiscounted amount represents the total amount paid per FRN beginning with the service start date as reported in your Form 486 Notification Letter, and ending with the date of the last bill you paid in full and for which you are seeking reimbursement of the discount on the BEAR....

Column (15) - Discount Amount Billed to USAC. The discount amount represents the total amount of funds for which you are seeking reimbursement — that is, your discounted portion of Column (14). Before applying the approved discount percentage to the amount in Column (14), you must deduct charges for any ineligible services, or for eligible services delivered for ineligible recipients or used for ineligible purposes...." *Id.* at 6.

⁴ USAC will review the auditor's recommended recovery amount of \$123,155.36.

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3. Ineligible Services include “[a]ny product or service that is duplicate of a service for which funding has already been requested.” Eligible Services List Schools and Libraries Supporter Mechanism for Funding Year 2011 (Sept. 23, 2010), at 23. The Eligible Services List defines “duplicative services” as “those that deliver the same functionality to the same population in the same location during the same time period.” *Id.* at 33. See also *In the Matter of Requests for Review by Macomb Intermediate Sch. Dist.*, CC Docket No. 02-6, Order, FCC 07-64, 22 FCC Rcd 8771, 8772, ¶ 3 (2007) (“[R]equests for duplicative services, described as services that provide the same functionality for the same population in the same location during the same period of time, will be rejected.”).

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Finding #2**Beneficiary Invoiced SLP for Non-Discounted Amount Not Paid to its Service Provider****Condition**

Williams Adley requested the Service Provider invoices and check payments to determine whether the Beneficiary paid its non-discounted share of costs for eligible services purchased with Schools and Libraries Program funds for which it received and was invoiced for. The Beneficiary was able to provide documentation to support that it paid a portion of its non-discounted share to the Service Provider within 90 days after the delivery of service, as required by the Rules. For the Telecommunications Services FRN 2111610, the Service Provider billed the Beneficiary for services on December 2, 2011 in the amount of \$143,203.91. The Beneficiary paid a portion of the bill totaling \$140,770.00 on December 8, 2011. We determined that the Beneficiary did not pay the Service Provider the remaining balance of \$2,433.91. However, on the BEAR Form, the Beneficiary indicated the full undiscounted costs of \$143,203.91, and SLP disbursed the full discounted amount requested to the Service Provider who then passed the amount through to the Beneficiary. (Criteria 1 to 4).

Cause

The Beneficiary has inadequate internal control processes to ensure that its non-discounted share of costs owed to the Service Provider are reconciled and paid timely to the Service Provider (e.g., within 90 business days after receipt of invoice), and that the total undiscounted amount reported on the FCC Form 474 is reconciled to the amounts the Beneficiary actually paid the service provider, before requesting reimbursement from SLP.

Effect

There is a monetary effect related to this finding since the Beneficiary did not pay the full non-discounted share of costs, of which \$2,433.91 is still outstanding. We calculated costs in the amount of \$2,093.16 that were reimbursed by USAC (but not paid by the Beneficiary to its Service Provider), which is 86% of the undiscounted amount based on the approved discount rate.

Recommendation

Williams Adley recommends that the Beneficiary implement controls and procedures to ensure that it only invoices SLP for amounts that the Beneficiary has already paid its service provider, as required by the Rules.

Further, we recommend the recovery of \$2,093.16 for the costs we calculated that USAC disbursed for FRN 2111610 that the Beneficiary did not pay to its Service Provider.

Beneficiary Response

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We do not contest this condition but do suggest a separate outcome.

Clearly a mistake was made when we paid this invoice. But, we can see how the error occurred. If you look at the top of the Trillion (Affiniti) invoice, the amount shown is \$140,770.00. Unfortunately, if you look at the bottom of this same invoice, an additional \$2,433.91 in taxes was added increasing the total invoice amount to \$143,203.91. Unfortunately, the A/P clerk paid off of the top of the invoice, not the bottom.

We don't find any evidence that this type of issue was happened paying other e-Rate or non-eRate invoices and can't find any other instances of similar problems. We will bring this issue to the attention of our Business Office manager in hopes of making sure this does not happen again.

Instead of paying a penalty to USAC, we believe a more proper action would be for the District to pay the additional \$2,433.91 to Affinity (Trillion) which we could do immediately.

Auditor Response

The amount questioned of \$2,093.16 should not be viewed as a "penalty" but rather monies that were invoiced to SLP that were not paid to the the Service Provider. We reiterate our recommendation that USAC recover the \$2,093.16 the Beneficiary invoiced to SLP that was not paid to the Service Provider as its non-discounted share of costs.

USAC Management Response

The auditors examined the Service Provider's invoices and check payments to determine whether the Beneficiary paid its non-discounted share of costs for the telecommunications services funded through the SLP. The Beneficiary provided the documentation as evidence that a portion of its non-discounted share was paid to the Service Provider within 90 days after the delivery of service, as required by the Rules. However, the Beneficiary failed to pay the full non-discounted amount due. The Service Provider billed the Beneficiary for services in the amount of \$143,203.91. The Beneficiary, in its response, stated that it paid a portion of the bill to the service provider totaling \$140,770.00 and the unpaid balance of \$2,433.91 was due to taxes. However, the Beneficiary billed SLP based on the total undiscounted amount of \$143,203.91, which included the outstanding undiscounted amount of \$2,433.91. USAC will seek recovery for the amount of \$2,093.16 ($\$2,433.91 \times 86$ percent) for FRN 2111610 which was over invoiced by the Beneficiary to SLP. USAC management concurs with the finding, effect and recommendation.

Criteria

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1. "An eligible school, library, or consortium must pay the non-discount portion of services or products purchased with universal service discounts." 47 C.F.R. § 54.523 (2009).

2. "A Billed Entity will prepare a BEAR for the amount of the discounts associated with the services set forth in a specific row or line of the associated Form 471 (known as a Funding Request Number or FRN) which the applicant has already received and paid for." Instructions for Completing the Universal Service for Schools and Libraries Billed Entity Applicant Reimbursement (BEAR) Form, OMB 3060-0856, (Nov. 2007), at 1 (*FCC Form 472 Instructions*).

3. "**Column (14) - Total (Undiscounted) Amount for Service per FRN.** The total undiscounted amount represents the total amount paid per FRN beginning with the service start date as reported in your Form 486 Notification Letter, and ending with the date of the last bill you paid in full and for which you are seeking reimbursement of the discount on the BEAR....

Column (15) - Discount Amount Billed to USAC. The discount amount represents the total amount of funds for which you are seeking reimbursement — that is, your discounted portion of Column (14)." *Id.* at 6

4. "The discount amounts listed in Column (15) of this Billed Entity Applicant Reimbursement Form were already billed by the service provider and paid by the Billed Entity Applicant on behalf of eligible schools, libraries, and consortia of those entities." Billed Entity Application Reimbursement Form, OMB 3060-0856, (Apr. 2007), at Block 3, B (*FCC Form 472*).

This concludes the results of our audit. Certain information may have been omitted from this report concerning communications with USAC management or other officials and/or details about internal operating processes or investigations. This report is intended solely for the use of USAC, the Beneficiary, and the FCC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of those procedures for their purposes. This report is not confidential and may be released to a requesting third party.

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Attachment 3



California Contractors License #820709

P.O. Box 17555 - San Diego, CA 92177 - USA - Tel: 858-560-0400 - Fax: 858-560-0409

Invoice Number:

Date:

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COT 27 2017

11101

19-Sep-11

CUSTOMER

Name Jerry Edmonds Company Kings Canyon Unified
 Address 675 West Manning Avenue School District
 City Reedley Phone 559-305-7044
 State CA Fax 559-637-1323
 ZIP Code 93654
 Country USA Job Name E-Rate Funding
 e-mail jedmonds@kcusd.com Teleco Services

TERMS of INVOICE

P.O. #: NA
 Pricing: Firm, US Dollars
 Payment Terms: Upon Receipt
 Ship Date: 9/19/2011
 FOB:
 Conveyance:

Item No.	Description	Rate	Qty.	Total Price
1	Telecommunication Services 7/01/11 - 6/30/12	\$719,687.68	1	\$719,687.68
	A. L. Conner Elementary School	1000 Mbps		
	Alta Elementary School	1000 Mbps		
	Citrus Middle School	1000 Mbps		
	Dunlap Elementary School	1000 Mbps		
	General Grant Middle School	1000 Mbps		
	Great Western Elementary School	1000 Mbps		
	Jefferson Elementary School	1000 Mbps		
	Kings Canyon High School	1000 Mbps		
	Lincoln Elementary School	1000 Mbps		
	McCord Elementary School	1000 Mbps		
	Navelencia Middle School	1000 Mbps		
	Orange Cove High School	1000 Mbps		
	Riverview Elementary School	1000 Mbps		
	Sheridan Elementary School	1000 Mbps		
	Silas Bartsch K-8	1000 Mbps		
	Thomas Reed Elementary School	1000 Mbps		
	Washington Elementary School	1000 Mbps		
	District Service Center	1000 Mbps		

2 **E-Rate Coverage** \$618,931.40 1 \$618,931.40
 Per FRN 2187796

3 **Kings Canyon USD Responsibility** \$100,756.28

- Notes: 1. E-mailed
 2. Contractors are required by law to be licensed and regulated by the Contractors' State License Board. Any questions concerning a contractor may be referred to the Registrar, Contractors' State License Board, P.O. Box 26000, Sacramento, California 95826.
 3. "t" Denotes sales tax applies.



13868 Little Creek Lane, Valley Center, CA 92082 • Phone (760) 749-5770 • Fax (760) 749-5790 • License #820709

February 3, 2011

Mr. Sean Harrington
Infinity Communications and Consulting, Inc.
1800 30th Street, Suite 175
Bakersfield, CA 93301

Project Number: 0103 – 10A.8
Project Description: Telecommunications Wide Area Network
Kings Canyon Unified School District
SPIN: 143024442
FCC RN: 0013605241
TIN: 46-0496803

Dear Mr. Harrington:

Thank you for allowing Sun Wireless the opportunity to provide a WAN solution for Kings Canyon Unified School District. Our proposal and supporting documents are contained in this letter and the other materials that accompany this correspondence. In advance, we thank you for your consideration.

Sun Overview

The company was formed in June of 2001 as a sole proprietorship under the name of Sun Wireless. The founders had over forty-two years of experience in selling and supporting technology equipment in both the public and private sectors. In May of 2002, Sun Microwave, Inc. became a California corporation that still does business as Sun Wireless. All of the dealings with the FCC and the SLD are under the name of Sun Microwave, Inc. Furthermore, the firm is a CLEC appropriately certified and registered with the Commission.

Certifications

This is to certify that Sun Wireless is not under any "Red Light" restrictions from the Federal Communications Commission and to verify that the corporation has filed a current E-Rate Service Provider Annual Certification form.

Description of Products and Services

Using current production, microwave technology (Ceragon IP10G), Sun will create a Microwave Metropolitan Area Network that provides a minimum of 1000 Mbps of connectivity to seventeen of the eighteen requested designations. Because it was

unable to secure line-of-site or an adequate repeater site for Dunlap Elementary, Sun did not bid that connection. The connection will be Ethernet. The pipe being provided to each facility can support data, voice and/or audio/video traffic. Annually, the bandwidth can be increased from 1000 mbps to 2000 mbps. Additionally, provisions have been provided for continuing the service after the initial sixty (60) month term.

California Teleconnect Fund (CTF)

Sun is an approved CLEC but does not offer the California Teleconnect Fund (CTF) discount. Consequently, we accept the fact that our proposal might be higher than other providers.

Site Hour Acknowledgement

Sun acknowledges and accepts that site hours vary and that work may need to be performed after normal business hours.

E-Rate Eligible

Sun acknowledges that all of the services it will provide under this proposal are E-Rate eligible and that a separate proposal and/or quotation is/are not necessary.

Contractor's License

To undertake this project, the Service Provider must possess, as a minimum, a C-7 Low Voltage license. Sun Microwave, Inc. has possessed such a license since 6/12/03. It is valid through 6/30/11. Our number is 820709. Although Sun will not utilize any subcontractors on this endeavor, the customer should understand that the prime contractor is the entity that must hold the required license(s). It is illegal for the subcontractor to hold the needed license and the prime not to be appropriately certified.

Subcontractors

Sun will not employ any subcontractors for this project.

Narrative of the Project

Sun Wireless is a systems integrator that provides point-to-point, terrestrial microwave solutions. These systems function in the traditional line-of-sight (LOS) environment but new technology has also permitted their operating in a non-NOS situation. To provide the bandwidths dictated for the District, Sun will need to establish a repeater site. The Fresno County Office of Education structure located in the bus barn area has been identified as an ideal solution. Use of this edifice has already been obtained from Raj Sra. Also use of the router at the base of the tower has been secured and a fiber connection confirmed to the District Office's MPOE Room.

The radio equipment itself consists of dual indoor units and dual outdoor units at each endpoint. Each of these links can provide 500 mbps of bandwidth. The data is then aggregated at the radio and a single 1000 mbps connection handed off to the District

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NUI's at the various sites. This design also helps to maximize link availability. Should one indoor or outdoor unit fail, the system would still continue functioning, however, at a slower rate – one half the normal 1000 mbps. To provide the requested support, Sun will install a dedicated server at the Repeater Site. This will then connect the District's MMAN to Sun's NOC. This will allow us to monitor the network on a 24/7 basis. By entering into a contract with Sun, the District agrees to permit Sun unrestricted access to its network. Should a deployment be required, Sun has made arrangements with Schubach Aviation to transport a technician to Reedley. Additionally, Sun maintains a complete inventory of spares so that the MTTR of four hours can be obtained.

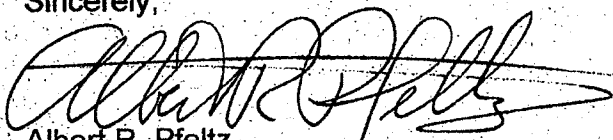
Construction Schedule

Within a week after receiving notice that the SLD has approved the annual funding and a notice to proceed has been issued by the District, Sun will dispatch a survey team to visit all the locations and finalize all details regarding the project. This will require a week to ten days to complete. Two weeks thereafter, the implementation will commence. It will require about eight (8) to ten (10) weeks to complete the installation and testing.

Billing Process

As a small business, we have found that it is too costly for our customers and ourselves to invoice monthly. Our normal procedure is to complete the installation of a project. At that point we ask the customer to submit the needed Form 486 to the Commission. Once we have received notice from USAC, we submit our Form 474 showing that it is an annual billing. We have never needed to deal with a reduced rate for outages. Consequently, we can only propose a unique solution. The customer's portion under the E-Rate program would not become due until the end of the fiscal year. At that time, the amount due would be reduced by an amount equal to the outage rebate earned.

Sincerely,



Albert R. Pfeltz
Vice President

ARP:wmf
Enclosures